

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-07 INR-07 LAB-04

NSAE-00 SIL-01 OPIC-03 TRSE-00 L-03 H-02 AID-05 /043 W

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R 171705Z MAR 76

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 9358

INFO AMEMBASSY BUENOS AIRES

LIMITED OFFICIAL USE LIMA 2557

EO 11652: NA

TAGS: EINV, ELAB, ETEL, PE

SUBJECT: PROBLEMS OF FABRICA DE EQUIPO DE TELEFONIA S.A.

(FETSA)

1. COMATT VISITED BY ALEJANDRO BRAMER, AN ARGENTINE CITIZEN WHO RECENTLY TOOK OVER AS GENERAL MANAGER OF FETSA AND MARIO SANCHEZ CARRION, SALES MANAGER. FETSA IS OWNED 40 PERCENT BY THE PERUVIAN GOVERNMENT AND 60 PERCENT BY INTERNATIONAL TELEPHONE AND TELEGRAPH (ITT). THE ITT PAID-IN CAPITAL IS APPROXIMATELY \$600,000. THE FIRM CURRENTLY EMPLOYS 400 WORKERS.

2. THIS YEAR FETSA HAS BEEN NEGOTIATING WITH THE LIMA AREA GOVERNMENT OWNED TELEPHONE COMPANY (COMPANIA PERUANA DEL TELEFONOS-CPT) FOR TWO CONTRACTS. ONE CONTRACT IS TO BUILD CENTRAL SWITCHBOARD EQUIPMENT FOR 60,000 NEW LINES OVER THE NEXT 5 YEARS. THIS WOULD REPLACE A SIMILAR CONTRACT WHICH TERMINATED IN 1975. ALTHOUGH ITT HAS ARRANGED FOREIGN FINANCING FOR THE IMPORTED COMPONENTS, CPT HAS BEEN UNABLE TO OBTAIN SOLES TO COVER THE LOCAL COST OF THE PROJECT. THE SECOND CONTRACT INVOLVES THE MANUFACTURING OF SMALL PRIVATE SWITCHBOARDS AND HAND TELEPHONE EQUIPMENT. THIS CONTRACT IS UNDER NEGOTIATION BUT FETSA WILL HAVE TO CHARGE CPT A MUCH HIGHER PRICE THAN ITS EXPIRED CONTRACT. THIS PRICE, IN FACT, IS HIGHER THAN FOR IMPORTED EQUIPMENT.

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3. ASSUMING THAT THE CENTRAL SWITCHBOARD CONTRACT WILL NOT

BE SIGNED, THE COMPANY WILL HAVE TO FIRE 120 WORKERS. IT HAS OFFERED EXTRA COMPENSATION FOR ANY WORKER WHO MIGHT WISH TO QUIT. THIS OFFER EXPIRES ON MARCH 20. THE COMPANY HAS OFFICIALLY INFORMED THE MINISTRY OF LABOR THAT IT WILL HAVE TO LAY OFF A MAXIMUM OF 120 WORKERS. IF THE SECOND CONTRACT IS NOT SIGNED, THE COMPANY BY THE END OF MAY WILL HAVE TO CLOSE COMPLETELY. ITT IS NOT PREPARED TO CONTINUE PUTTING IN CAPITAL TO KEEP THE PLANT OPEN. THE UNION HAS BEGUN TO PUBLISH LETTERS IN COMMUNIST NEWSPAPER "EXPRESO" ATTACKING THE COMPANY FOR ITS PLAN TO START LAYING OFF WORKERS.

4. DURING THE LAST BOARD OF DIRECTORS' MEETING THE TWO DIRECTORS REPRESENTING THE GOVERNMENT COMPLAINED THAT THEY HAD NOT BEEN INFORMED OF THE SERIOUS SITUATION OF THE COMPANY (ACCORDING TO MR. BRAMER, THEY HAD BEEN INFORMED) AND STATED THAT THEY WILL RESIGN IN PROTEST.

5. WHEN ASKED IF THE GOVERNMENT WAS INTERESTED IN BUYING OUT THE ITT INTERESTS, MR. BRAMER REPLIED THAT THEY HAD SOME INTEREST IN THE PAST, BUT THAT AT THE PRESENT TIME IT APPEARS UNLIKELY THAT IT WILL DO SO. MR. BRAMER DID NOT ASK FOR ANY ASSISTANCE. HE WANTED TO KEEP THE EMBASSY INFORMED OF THE SITUATION.

6. COMMENT: ITT IS OBVIOUSLY WORRIED, NOT ONLY ABOUT ITS FETSA INVESTMENT, BUT ALSO ABOUT ITS \$16 MILLION SHERATON HOTEL INVESTMENT IN LIMA. THE COMPANY HAS BEEN PAYING ITS WORKERS SINCE THE BEGINNING OF THE YEAR EVEN THOUGH THERE IS NO WORK FOR THEM. ITT REPORTEDLY LOST \$17 MILLION BY KEEPING A SIMILAR, AND MUCH LARGER OPERATION IN ARGENTINA GOING FOR TWO YEARS WITHOUT WORK. IT HAS DECIDED TO CLOSE DOWN ITS ARGENTINE PLANT AND APPARENTLY DOES NOT WANT TO GET INTO THE SAME LOSS SITUATION IN PERU.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NEGOTIATIONS, BUSINESS FIRMS, BUSINESS REPUTATION, CONTRACTS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 MAR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976LIMA02557
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760101-1017
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760352/aaaabtss.tel
Line Count: 95
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 19 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19 JUL 2004 by KelleyW0>; APPROVED <22 OCT 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PROBLEMS OF FABRICA DE EQUIPO DE TELEFONIA S.A. (FETSA)
TAGS: EINV, ELAB, ETEL, PE, FETSA, (BRAMER, ALEJANDRO)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006